

Message Text

LIMITED OFFICIAL USE

PAGE 01 MOSCOW 03178 01 OF 02 051650Z

47

ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 DODE-00 PA-04 USIA-15 PRS-01 L-03 H-03

AGR-20 IO-14 DRC-01 (ISO) W
----- 125041

R 051541Z MAR 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 6643

INFO AMEMBASSY BELGRADE

USMISSION BERLIN

USMISSION EC BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

USMISSION NATO

USMISSION OECD PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

LIMITED OFFICIAL USE SECTION 1 OF 2 MOSCOW 3178

E.O. 11652: N/A

TAGS: EGEN ETRD UR COMECON

SUBJ: MOSCOW ECONOMIST SUGGESTS NEW APPROACHES, NEW VIEWS
IN ADMINISTRATION OF SOVIET FOREIGN ECONOMIC RELATIONS

1. SUMMARY. IN RECENT PRAVDA ARTICLE, SOVIET ECONOMIST
O.T. GOGOMOLOV STRESSES INCREASING IMPORTANCE OF FOREIGN
ECONOMIC RELATIONS FOR USSR AND RAPID EXPANSION OF SOVIET
TRADE WITH NON-COMMUNIST COUNTRIES AS RESULT OF DETENTE.
HE PROPOSES CHANGES IN SOVIET FOREIGN ECONOMIC THEORY AND
ADMINISTRATION FOR BENEFIT OF SOVIET ECONOMY AND WELFARE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MOSCOW 03178 01 OF 02 051650Z

OF SOVIET PEOPLE.

2. CHANGES PROPOSED INCLUDE MORE DIRECT PARTICIPATION IN FOREIGN TRADE BY INDUSTRIAL MINISTRIES AND ASSOCIATIONS, RESTRUCTURING IN FOREIGN ECONOMIC PLANNING AND EFFORTS TO ESTABLISH CORRECT RELATIONSHIP BETWEEN SOVIET INTERNAL COSTS AND WORLD MARKET PRICES. GOGOMOLOV ADMITS VITAL IMPORTANCE OF IMPORTS FROM WEST FOR KEY SECTORS OF SOVIET INDUSTRY AND CITES EXAMPLES. INTER ALIA HE URGES (1) EXPANSION OF SOVIET EXPORTS THROUGH IMPROVED QUALITY SO THAT THEY WILL BE MORE COMPETITIVE ON WORLD MARKETS, (2) THAT IMPORTS BE DISTRIBUTED THROUGHOUT ECONOMY SO AS TO IMPROVE LABOR PRODUCTIVITY INSTEAD OF BEING DIRECTED MAINLY TO CERTAIN INDUSTRIES, AND (3) MORE EXTENSIVE SOVIET ADHERENCE TO PRINCIPLE OF INTERNATIONAL DIVISION OF LABOR.

3. ALTHOUGH UNREMARKABLE IN EASTERN EUROPE, GOGOMOLOV'S ARTICLE REPRESENTS, IN EMBASSY'S OPINION, AN UNUSUALLY INTERESTING INDICATION OF FORWARD ECONOMIC THINKING IN A COUNTRY WHERE ECONOMIC REFORM HAS BEEN MOVING AT GLACIAL SPEED AND "AUTARKY" HAS LONG BEEN AN ACCEPTED PRINCIPLE FOR FOREIGN TRADE. END SUMMARY

4. A STRONG BRIEF ON THE IMPORTANCE OF EXPANDING FOREIGN ECONOMIC RELATIONS FOR THE SOVIET UNION, AND SOME FRANK COMMENTS ON THE NECESSITY OF GETTING RID OF OLD-FASHIONED CONCEPTS AND MOVING TOWARD SOME NEEDED REFORMS IN SOVIET FOREIGN ECONOMIC ADMINISTRATION ARE THE MAIN THEMES OF AN UNUSUALLY INTERESTING ARTICLE BY ACADEMICIAN O.T. BOGOMOLOV PUBLISHED IN PRAVDA FEB. 25. GIVEN THE RESTRICTIVE AND HESITANT ATMOSPHERE WHICH PREVAILS HERE ON THIS SUBJECT, THE ARTICLE IS ONE OF THE MOST SPECIFIC AND OUTSPOKEN THE EMBASSY HAS READ IN A NUMBER OF MONTHS.

5. BOGOMOLOV, WHO IS DIRECTOR OF INSTITUTE OF ECONOMICS OF WORLD SOCIALIST SYSTEM IN MOSCOW, LEADS OFF BY CALLING ATTENTION TO IMPORTANCE OF FOREIGN ECONOMIC CONTACTS FOR SOVIET FOREIGN AND DOMESTIC POLICIES IN RECENT YEARS, A DEVELOPMENT AIDED BY INTERNATIONAL DETENTE WHICH HAS REMOVED "ARTIFICIAL OBSTACLES" THAT HAVE PREVIOUSLY IMPEDED COOPERATION BETWEEN COUNTRIES WITH DIFFERENT SOCIAL SYSTEMS. HE NOTES THAT (IN COMPARABLE PRICES) VOLUME OF USSR FOREIGN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MOSCOW 03178 01 OF 02 051650Z

TRADE IN 1972 WAS 23 TIMES HIGHER THAN 1938 LEVEL. FURTHERMORE, GROWTH RATE OF USSR FOREIGN TRADE NOW EXCEEDS GROWTH RATE IN MATERIAL PRODUCTION.

6. DESPITE ABOVE FACTS, GOGOMOLOV NOTES THAT "THE NOTION STILL OCCURS THAT FOREIGN ECONOMIC CONTACTS ARE A SECONDARY FACTOR IN ECONOMIC DEVELOPMENT" THEIR EFFICIENCY IS MEASURED ONLY AGAINST STANDARD OF FULFILLMENT OF SOVIET

OBLIGATIONS TO SOCIALIST COUNTRIES. SUCH A NOTION REVEALS MISUNDERSTANDING OF ADVANTAGES OF INTERNATIONAL DIVISION OF LABOR, A PRINCIPLE WHICH IS NOW BEING "VIGOROUSLY" PROMOTED IN THE SOVIET ECONOMY.

7. THE VITAL ECONOMIC SIGNIFICANCE OF IMPORTS USSR RECEIVES FROM FOREIGN COUNTRIES IS SPELLED OUT. MORE THAN ONE-THIRD OF IMPORTS ARE MACHINERY AND EQUIPMENT. INDUSTRIAL CONSUMER GOODS ACCOUNT FOR ABOUT ONE-FIFTH. OTHER IMPORTANT IMPORTS ARE FOOD AND RAW MATERIALS. ALMOST 15 PERCENT OF ALL EQUIPMENT RECENTLY PUT INTO OPERATION IN SOVIET INDUSTRY HAS COME FROM ABROAD. THIS HAS ACCELERATED OUTPUT GROWTH IN CHEMICAL, METALLURGICAL, AUTOMOBILE, PULP AND PAPER, FOOD AND LIGHT INDUSTRIES. IMPORTS HAVE FOR MANY YEARS BEEN IMPORTANT ELEMENT IN DEVELOPMENT OF SOVIET MERCHANT AND FISHING FLEET, AND EXPANSION OF RAILWAY ROLLING STOCK. IMPORT OF LARGE-DIAMETER STEEL PIPE IS IMPORTANT FOR CONSTRUCTION OF OIL AND NATURAL GAS PIPELINES. IMPORTS OF BAUXITE, ALUMINA, NATURAL RUBBER, SODIUM CARBONATE, CERTAIN NON-FERROUS METALS, WOOL AND COAL ALSO SIGNIFICANT.

8. BOGOMOLOV ALSO POINTS OUT THAT IT IS PART OF SOVIET POLICY TO CONCENTRATE IMPORTS TOWARD THOSE INDUSTRIES WHICH ARE SCHEDULED FOR RAPID DEVELOPMENT UNDER FIVE YEAR PLANS. AND INCREASED IMPORTS LEAD TO THE IMPROVED WELFARE OF THE SOVIET PEOPLE.

9. WHAT ROLE SHOULD SOVIET FOREIGN TRADE PLAY IN THE WORLD ECONOMY? BOGOMOLOV PROPOSES A STRONGER ONE. HE NOTES THAT SOVIET RANKING IN WORLD TRADE IS BELOW ITS RANKING IN WORLD INDUSTRIAL PRODUCTION, A FACT WHICH CONFIRMS THAT ITS FOREIGN TRADE IS UNDER-DEVELOPED. THE USSR MUST INTENSIFY ITS PARTICIPATION IN WORLD TRADE THROUGH INTERNATIONAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MOSCOW 03178 01 OF 02 051650Z

DIVISION OF LABOR. AN EXPANSION OF EXPORTS CAN BE ACHIEVED THROUGH IMPROVED QUALITY AND TECHNICAL CONTROL WHICH MAKES SOVIET EXPORTS COMPETITIVE ON WORLD MARKETS. "A GROWING

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MOSCOW 03178 02 OF 02 051812Z

47

ACTION EUR-25

INFO OCT-01 ISO-00 SAI-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 DODE-00 PA-04 USIA-15 PRS-01 L-03 H-03

AGR-20 IO-14 DRC-01 (ISO) W
----- 125025

R 051541Z MAR 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 6644

INFO AMEMBASSY BELGRADE

USMISSION BERLIN

USMISSION EC BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

USMISSION NATO

USMISSION OECD PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

LIMITED OFFICIAL USE SECTION 2 OF 2 MOSCOW 3178

CAPACITY FOR EXPORT IS A DEFINITE INDICATOR OF AN INDUSTRY'S
MATURITY."

10 AS FOR SOVIET IMPORTS, THEY SHOULD NOT BE NARROWLY
DIRECTED TO THE NEEDS OF SPECIFIC INDUSTRIES. ON THE CON-
TRARY, THEY SHOULD BE UTILIZED FOR THE OVERALL EXPANSION
OF LABOR PRODUCTIVITY AND FOR IMPROVEMENT OF QUALITY THROUGH-
OUT THE ENTIRE SOVIET ECONOMY.

11. IN REVISING ACTUAL SOVIET FOREIGN TRADE TRENDS OVER
LAST SEVERAL YEARS, BOGOMOLOV NOTES DEVELOPMENT OF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MOSCOW 03178 02 OF 02 051812Z

INTEGRATION PROGRAM IN CEMA, CONTINUING IMPROVEMENT OF
TRADE WITH DEVELOPING COUNTRIES, BUT DEVOTES MOST SPACE TO
EXPANSION OF TRADE WITH DEVELOPED CAPITALIST COUNTRIES,
WHICH, HE INDICATES HAS FLOURISHED BECAUSE OF IMPROVED
INTERNATIONAL CLIMATE.

12. BOGOMOLOV CONCLUDES WITH RECOMMENDATIONS FOR CHANGES IN ADMINISTRATION OF SOVIET FOREIGN ECONOMIC RELATIONS WHICH, HE SAYS, ARE MADE NECESSARY BY EXPANDING ROLE OF FOREIGN RELATIONS IN SOVIET ECONOMY AND COMPREHENSIVE REQUIREMENTS OF SOCIALIST ECONOMIC INTEGRATION WITHIN CEMA. CHANGES MENTIONED AS BEING "UNDER DISCUSSION" ARE:

(1) IMPROVEMENT OF PLANNING IN FOREIGN ECONOMIC RELATIONS TO PERMIT CALCULATION OF MOST PROFITABLE AND RAPID COURSE OF ACTION--DEVELOPMENT OF DOMESTIC PRODUCTION OR IMPORTS (PAID FOR THROUGH EXPANDED EXPORT CAPACITIES);

(2) WAYS IN WHICH INDUSTRIAL MINISTRIES AND ASSOCIATIONS CAN PARTICIPATE MORE ACTIVELY AND PROFITABLY IN FOREIGN ECONOMIC ACTIVITY;

(3) THE ESTABLISHMENT OF NECESSARY CONDITIONS FOR CORRECT COMPARATIVE APPRAISAL OF SOVIET DOMESTIC COSTS AND WORLD PRICES.

13. LAST PARAGRAPH OF BOGOMOLOV ARTICLE WINDS UP WITH INTERESTING STATEMENT THAT IN ADDITION TO "GREAT EFFORTS" NECESSARY TO EFFECT THESE PROPOSED CHANGES IN SOVIET FOREIGN ECONOMIC RELATIONS ADMINISTRATION, "DEFINITE PSYCHOLOGICAL REORGANIZATION" IS NEEDED, IN ADDITION TO WORKING OUT OF MANY THEORETICAL AND METHODOLOGICAL PROBLEMS. END RESULT WILL INCLUDE GREATER PROGRESS FOR SOVIET ECONOMY AND MORE FAVORABLE CONDITIONS FOR PEACEFUL COEXISTENCE AND COOPERATION BETWEEN COUNTRIES WITH DIFFERENT SOCIAL SYSTEMS.

14. COMMENT: ALTHOUGH BOGOMOLOV'S COMMENTARY AND PROPOSALS MAY SEEM MILD AND UNREMARKABLE AS VIEWED FROM BELGRADE, BUDAPEST OR WARSAW, THEY APPEAR AS HEADY STUFF IN MOSCOW WHERE THE SOVIET FOREIGN TRADE MONOPOLY WAS ESTABLISHED BY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MOSCOW 03178 02 OF 02 051812Z

LENIN IN 1918 UNDER THE EDICT THAT IT WAS NECESSARY TO SAVE THE USSR "FROM PAYING TRIBUTE TO FOREIGN CAPITAL." IN A COUNTRY WHERE "AUTARKY" IN FOREIGN TRADE IS STILL RITUAL AND ECONOMIC REFORM HAS BEEN MOVING FORWARD AT GLACIAL SPEED, MUCH OF THE CONTENT OF THIS ARTICLE IS UNUSUAL AND OUTSPOKEN, MATERIAL NOT USUALLY FOUND IN SOVIET PRESS.

15. THE TERM "INTERNATIONAL DIVISION OF LABOR," RATHER THAN "INTERNATIONAL SOCIALIST DIVISION OF LABOR" IS USED REPEATEDLY. THERE IS A FRANK ADMISSION OF THE DEPENDENCE OF IMPORTANT SECTORS OF SOCIALIST INDUSTRY ON IMPORTS OF WESTERN MACHINERY AND EQUIPMENT, EVEN IN THE CASE OF

LARGE-DIAMETER PIPE, AN IDEA WHICH KHRUSHCHEV ONCE SCORNFULLY REJECTED FOLLOWING THE INSTITUTION OF AN NATO EMBARGO. ALSO INTERESTING ARE SEVERA REFERENCES TO THE BENEFITS OF INCREASED FOREIGN TRADE FOR THE IMPROVED WELFARE OF THE SOVIET PEOPLE, AND TO THE NEED FOR "DEFINITE PSYCHOLOGICAL REORGANIZATION" IN EFFECTING CHANGES IN THE ADMINISTRATION OF FOREIGN ECONOMIC RELATIONS.

16. MOST INTERESTING OF ALL, OF COURSE, IS THE SUGGESTION OF MORE ACTIVE (READ DIRECT) PARTICIPATION IN FOREIGN TRADE BY INDUSTRIAL MINISTRIES, A PROPOSAL WHICH MUST BE VIEWED WITH ALARM AND RANCOR IN THE VAST BUREAUCRACY OF THE MINISTRY OF FOREIGN TRADE.

17. WE FIND BOGOMOLOV'S ARTICLE A TIMELY SEQUEL TO THAT SECTION OF THE INTERNATIONAL ECONOMIC REPORT OF THE PRESIDENT WHICH DEALS WITH NEW APPROACHES TO FOREIGN TRADE IN COMMUNIST COUNTRIES (PART II, SECTION 6 OF REPORT TRANSMITTED TO THE CONGRESS IN FEBRUARY 1974 BY THE WHITE HOUSE COUNCIL ON INTERNATIONAL ECONOMIC POLICY).
STOESSEL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOSCOW03178
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740367/aaaacknu.tel
Line Count: 298
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by collinp0>; APPROVED <04 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOSCOW ECONOMIST SUGGESTS NEW APPROACHES, NEW VIEWS IN ADMINISTRATION OF SOVIET FOREIGN ECONOMIC RELATIONS
TAGS: EGEN, ETRD, UR, COMECON
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005